

Nestlé S.A. (Nestlé)



Background on Nestlé

Nestlé is a Swiss transnational food and drink company. It was founded in 1866 and is headquartered in Vevey, Switzerland. It has been the world's largest food company (measured by revenues and other metrics) since 2014. Its products include baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks. It employed 335,000 people across the 194 countries in which it operates and reported revenues of CHF89 billion in 2016. It is a publicly listed company and is listed on the Swiss exchange.

How did Nestlé come to start thinking about context?

Nestlé's first effort to describe the impacts its business operations were having on the planet and people came in 2000 and were captured in a report entitled Environment Progress Report¹. It then made a commitment in 2010 that all its products would be associated with "zero deforestation" by 2020². In 2013, Nestlé launched its [Commitment on Water Stewardship](#) which outlined what the company believed were its responsibilities as a major water user and the approaches it aimed to implement to ensure that it would remain a responsible steward of water².

Nestlé joined the [RE100](#) initiative in 2014 and committed to procure 100% of its electricity from renewable sources, which would support it in achieving its GHG emissions reduction commitments³. A year later in 2015, and to complement its commitment to RE100, Nestlé became a founding member of the [Business Renewables Center](#) (BRC)⁴. Nestlé continued its

¹ Nestlé (2001). The Nestlé Sustainability Review. Accessed at: http://www.nestle.com/asset-library/documents/reports/csv%20reports/environmental%20sustainability/sustainability_review_english.pdf

² Nestlé (2015). Nestlé in society Creating Shared Value and meeting our commitments 2015. Accessed at: <http://storage.nestle.com/nestle-society-full-2015/files/assets/common/downloads/publication.pdf>

³ RE100 (n.d.). RE100. Accessed at: <http://there100.org/re100>

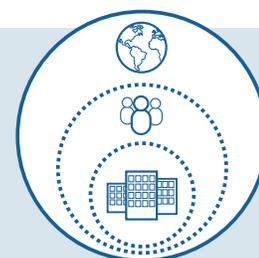
⁴ Business Renewables Centre (n.d.). About us. Accessed at: http://www.rmi.org/business_renewables_center

involvement in wider water stewardship efforts in 2015 when it contributed to the development of [ISO/AWI TR 14073](#), which is aimed at providing illustrative examples of how companies could apply the [ISO 14046](#) standard to water footprinting of products².

In 2016, global business leaders convened to launch a framework that aimed to support companies in making better decisions through the inclusion of natural capital into the decision-making process⁵. [The Natural Capital Protocol](#) was developed by a group of companies, including Nestlé, and led by the [World Business Council For Sustainable Development](#) (WBCSD)⁵. In the same year, Nestlé began to pilot a new satellite and radar system called [Starling](#) that aimed to support Nestlé in meeting its “zero deforestation” commitment⁶. Starling is a partnership between Airbus, The Forest Trust, and SarVision and makes satellite and radar images available to companies, helping them establish evidence that can support “zero deforestation” commitments⁷.

What does context look like at Nestlé?

1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.



GHG emissions: Nestlé acknowledges that the levels of carbon dioxide in the atmosphere are at their highest since the Industrial Revolution and that this is leading to changes within our climate that may threaten global food security⁸. As such, Nestlé commits to reduce its GHG emissions but does not explicitly commit to operating within the limits of this threshold⁸. Nestlé says that it will take a lead in tackling climate change and has said it will be working with its value chain to support their reductions in GHG emissions⁹.

Water: Nestlé acknowledges that water is a growing concern for society, its employees, and for the long-term viability of its own business operations². Nestlé respects the right to safe, clean water and sanitation and comments that it strives to use water more efficiently in catchments where it extracts water or sources raw materials². It acknowledges that this issues is made up

⁵ Natural Capital Coalition (2016). Natural Capital Protocol Launched. Accessed at: <http://naturalcapitalcoalition.org/natural-capital-protocol-launched/>

⁶ Nestlé (2016). Nestlé uses new system to support zero deforestation commitment. Accessed at: <http://www.nestle.com/media/news/nestle-new-system-supports-zero-deforestation-commitment>

⁷ The Forest Trust (2016). Airbus, TFT and SarVision announce Starling. Accessed at: <http://www.tft-earth.org/stories/news/airbus-defence-space-tft-sarvision-provide-unprecedented-accuracy-verification-zero-deforestation-commitments/>

⁸ Nestlé (n.d.). Environmental sustainability: Climate change. Accessed at: <http://www.nestle.com/csv/environmental-sustainability/climate-change>

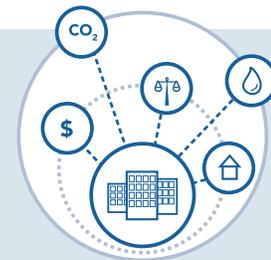
⁹ We Mean Business (2015). Nestlé: The factories that run on coffee. Accessed at: <https://www.wemeanbusinesscoalition.org/stories/nestle%C3%A9>

of a series of thresholds, including quality, water security, water use, and hygiene and health². However, the company has yet to commit to operating within the limits of these thresholds. Nestlé’s sphere of influence touches millions of companies within its value chain through the purchasing of raw materials for its products and the company commits to working with its value chain to further water stewardship principles².

Land-system change: Nestlé acknowledges that deforestation is a major ecological issue that is associated with the production of raw materials such as palm oil, pulp and paper, and soy². The company also acknowledges that this issue is linked to other thresholds such as GHG emissions, soil erosion, water quality, and biodiversity². While Nestlé has committed to “zero deforestation”, it has not clearly outlined what thresholds it links to this ecological issue. The company has said that it will work with its value chain to support it in mitigating its impact on this threshold but has also said that if it is unable to convince a member of its value chain to engage with it, Nestlé will reduce the amount of raw materials it purchases from them^{2, 10}.

Other thresholds: Nestlé acknowledges the importance of other socio-ecological issues including waste, air quality, human rights, nutrition, health, and wellness but does not yet discuss them with reference to thresholds.

2 Transparently understand and **PRIORITISE** a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.



Nestlé primarily appears to use what we call a ‘classic’ materiality approach whereby it engages with its stakeholders to understand their expectations of what the company should be addressing². Nestlé expands on this by taking the identified socio-ecological issues and mapping them against the stages within its value chain (Figure 1)². This step aims to support Nestlé in understanding where these issues are present within its value chain². Nestlé supplements this step with the inclusion of life-cycle assessments to help it better understand the impacts of these identified socio-ecological issues².

The Nestlé value chain

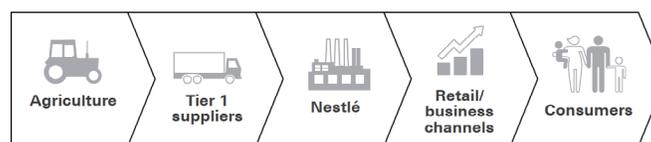


Figure 1: The Nestlé value chain²

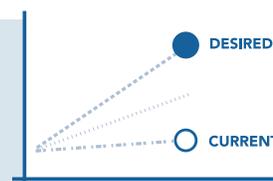
¹⁰ Nestlé (2013). Corporate Social Responsibility: Commitment on Deforestation. Accessed at: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/commitment-on-deforestation-2013.pdf

GHG emissions: Nestlé prioritises this threshold due to its contribution towards climate change which, if not addressed, may affect the long-term supply of safe and high-quality raw materials that it needs to produce its products⁸. The company is prioritising the impacts arising from its agricultural value chain and has set out a detailed set of actions that it is aiming to take within its corporate sustainability materials⁸.

Water: This threshold is critical to the operations of Nestlé's value chain and is relevant to its own operations because it affects the secure supply of its raw materials and its licence to operate². The biggest impact the company has on this threshold arise from its agricultural value chain². 37% of the company's factories currently operate within areas considered to be water-stressed and as such water stewardship activities are a priority at these facilities². Nestlé recognises that water management needs to be specific to a locality and needs to consider the temporal nature of water².

Land-system change: Nestlé prioritises this threshold as impacts on it are closely associated with the production of the raw materials that it uses and the production of paper and board it uses for its packaging¹⁰.

3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.



GHG emissions: Nestlé commits to reduce its absolute scope 1 and 2 GHG emissions by 12% between 2014 and 2020¹¹. The company also commits to reduce its scope 3 GHG emissions by 8% within the same period¹¹. To support it in achieving this commitment, Nestlé also commits to transition to source 100% of its electricity from renewable sources³. Nestlé's GHG emissions goal has been verified using the assessment criteria of the [Science-Based Targets](#) initiative; however, the company has not transparently outlined the assumptions or rationale that it used to develop its contextual goal.

Water: Nestlé has committed to reduce its water withdrawals, per ton of product, to achieve an overall reduction of 35% against a baseline year of 2010². The company has not yet set a contextual goal for this threshold; however, to support its efforts to better understand the gap between its current performance and the performance needed to operate within the limits of this issue, Nestlé is rolling out the implementation of the [Alliance for Water Stewardship's](#) (AWS) International Water Stewardship Standard².

¹¹ Science-Based Targets (2016). Companies Taking Action: Nestlé. Accessed at: <http://sciencebasedtargets.org/companies-taking-action/>

¹² Nestlé (n.d.). Environmental sustainability: Natural Capital. Accessed at: <http://www.nestle.com/csv/environmental-sustainability/natural-capital>

Land-system change: Nestlé has committed to achieve “zero deforestation” by 2020. This commitment includes all the raw materials that it uses within its products and the associated packaging^{2, 12}. However, Nestlé has yet to explain what it means by “zero deforestation” or explain why it believes that “zero deforestation” is a suitable threshold limit for its goal through its estimates of the gap between its current performance and the limits of its “zero deforestation” goal¹³.

Other thresholds: Nestlé has not yet set contextual goals in relation to any other thresholds.

4 Transparently TRACK performance against realistic trajectory targets.



GHG emissions: Nestlé has a history of reporting its performance against this threshold and presents this in a graphical form (Figure 2). While it includes its goal, for a particular scope of emissions, it has yet to use this to develop a realistic set of annual trajectory targets that could be used to monitor its progress towards achieving its goal⁸. Outside of its scope 3 GHG emissions goal, the company has not stated if it intends to develop metrics or targets to monitor the effectiveness of its influence in supporting its value chain’s adherence to the limits of this threshold.

Reduction in direct GHG emissions (Scope 1) 2005–2015

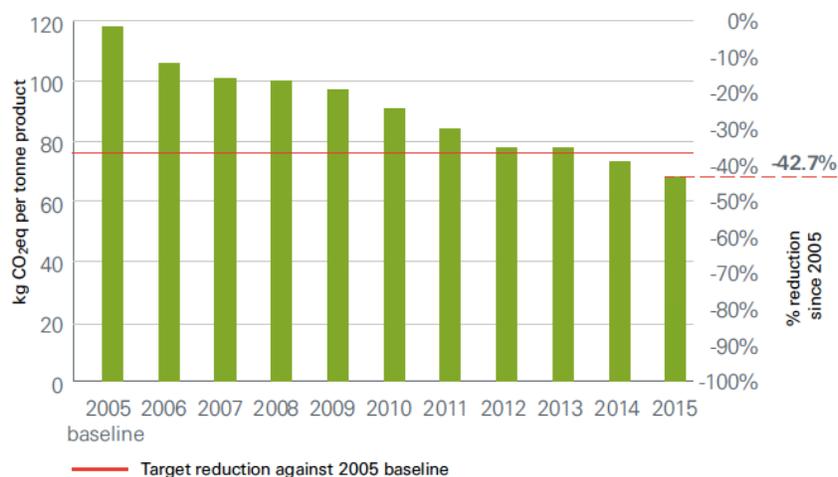


Figure 2: Nestlé’s reduction in Scope 1 GHG emissions².

¹³ World Resources Institute (2015). What Does it Really Mean When a Company Commits to “Zero Deforestation”? Accessed at: <http://www.wri.org/blog/2015/05/what-does-it-really-mean-when-company-commits-%E2%80%9Czero-deforestation%E2%80%9D>

Water: Nestlé has a history of reporting its performance against this threshold and presents the progress it is making in a graphical format (Figure 3)². However, it has yet to use this to develop a set of realistic trajectory targets that could be used to monitor its progress towards achieving its goal. Nestlé has not outlined if it intends to develop metrics or targets to monitor the effectiveness of its influence in its support of its value chain's adherence to the limits of this threshold.

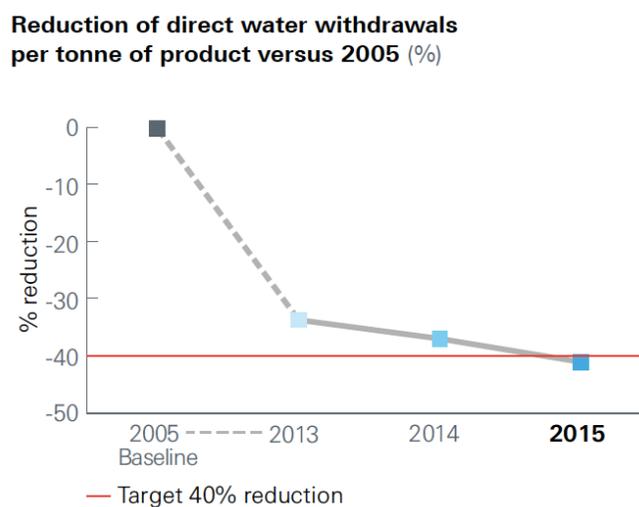


Figure 3: Nestlé's reduction in direct water withdrawals per ton of product².

What is the road ahead for context at Nestlé?

Nestlé made a commitment to source 100% of its electricity from renewable sources by 2020 but has commented that "Renewable electricity market conditions can be very different from one country to another. In some countries, we can see that there is not yet an adequate supply in the market and more government support is sometimes needed³." While the company acknowledges this constraint, it has yet to outline how it aims to mitigate this to ensure that it can fulfill its commitment. To supplement its use of [Starling](#), Nestlé is in the process of developing and sharing tools aimed at enabling smallholder farmers avoid deforestation and the loss of natural vegetation as a way to support it in achieving its "zero deforestation" commitment².